

**MINUTES OF THE  
CAPITAL FACILITIES & GOVERNMENT OPERATIONS  
APPROPRIATIONS SUBCOMMITTEE MEETING  
TUESDAY, JANUARY 27, 2010, 2:00 A.M.  
Room 250 Capitol Building**

Members Present: Sen. Curtis Bramble, Co-Chair  
Rep. Stephen Clark, Co-Chair  
Sen. Wayne Niederhauser  
Rep. Stephen Sandstrom  
Rep. Laura Black  
Rep. Janice Fisher  
Rep. Craig Frank  
Rep. Gage Froerer  
Rep. Fred Hunsaker  
Rep. Brad Dee

Member Absent: Sen. Brent Goodfellow

Staff Present: Richard Amon, Fiscal Analyst  
Gary Ricks, Fiscal Analyst  
Henry Liu, Committee Secretary

Public Speakers Present: Gregg Buxton, Director, DFCM  
Bob Thompson, Administrator, CSRB  
Jeff Herring, Executive Director, DHRM  
Kim Hood, Director, DAS  
John Reidhead, CFO, DAS  
Kent Beers, Director, DAS  
Allyson Gamble, Director, CPB  
Steve Fletcher, Director, DTS  
Kurt Baxter, Deputy, DFCM

Visitor List on File

Co-Chair Bramble called the meeting to order at 2:30 p.m.

1. **Base Budget Bill FY 2011 (item 2)** - Analyst Gary Ricks explained SB 1, in order to balance the FY 2011 budget, it was necessary to find \$88 million within the State's budget. That translated into 2% budget reductions throughout State agencies, applied against the General Fund.

Not every agency would be able to comply with the 2% reduction. In order to achieve the \$88 million target amount, the Executive Appropriations Board developed a 5% ongoing

reduction list for the various agencies. The Legislature along with the various agencies during the session will evaluate the areas able to accommodate the budget reduction and protect those that cannot.

Analyst Ricks outlined the grouped line items relating to the reductions among the various agencies in SB 1. Analyst Ricks briefly explained the 5% ongoing reduction list among agencies.

2. **Debt Service** - Analyst Rich Amon briefed the board on the General Obligation debt and the SBOA lease revenue bonds the State issues. Refer to Debt Service handout.

Under Outstanding General Obligation (G.O.) Bonds, as of this year \$2.3 billion is outstanding, majority of the bonds (Triple A rated) dedicated to highways. Noted as one of the largest issuance of the State. Utah's "Triple A" rated bonds, shows a willingness to manage and the ability to pay off debt. But also gives the State great interest rates on bonds.

Bonds authorized but not issued; \$1.6 billion authorized to I-15 corridor in Utah County, portion of which towards Mountain View corridor in Salt Lake County and \$.5 billion authorized to Critical Highway Needs program. \$43 million authorized for Utah State agricultural building, funding tried to federal match yet to be realized. \$10 million authorized for University of Utah business building.

Analyst Amon recommended that Debt Service funds is operating at a minimum level and should be left as it is currently. In FY 2008, Debt Service budget was at \$26 million and since then it's been reduced close to \$20 million to balance the budget.

Continued on the handout on page 4, Analyst recommends the Legislature consider action for Debt Service to increase the transportation funds due to FY 2011 obligations.

3. **Capital Budget** - Analyst Amon explained Capital Budget in the handout. Capitol Budget consists of 5 line items: Capital Development, Capital Improvements, Property Acquisition, Land Banking and DFCM Planning Fund.

DFCM Planning Fund pays towards engineering and architectural expenses necessary to create a cost estimate for future capital facilities and capital improvements.

DFCM Sales of Property, Analyst Amon explained it gives DFCM the ability to sale property when it makes sense and the statute states it's automatically appropriated.

Rep. Frank inquired about the details of a \$60,000 parcel in Highland. Mr. Buxton explained the state didn't know it owned the property, they had it appraised and sold. The money is held for building use. The process of selling property is a multi level decision among the Legislature, Governor and subcommittee.

Analyst Amon continued to Capital Development and Capital Improvement Process brief. Outlined in the brief is a flow chart detailing the process that goes in to capital development projects.

The State Building Board compiles a list of capital improvements and presents it to the Legislature for consideration. The projects are voted on by the subcommittee and then the Legislature approves a dollar amount for the capital improvement funding. Then finally deciding which projects gets approval to start work.

Under Capital Development Process Analyst Amon explained the state funded projects and the non-state funded projects. State funded projects, a list is compiled, prioritized and voted upon by the subcommittee. The Legislature funds O&M costs up-front by appropriating on-going funds to the agency line item in the same year as the authorization of the project.

Under non-state fund request, the funds come from donations or revenue streams from outside institutions. Projects lists are compiled but not prioritized and voted. O&M costs are not funded at the time a non-state funded project is approved.

Rep. Hunsaker inquired what the basis of determining the value of the property when allocating funds. Kurt Baxter, Deputy for DFCM, explained that DFCM takes the risk management replacement value of the building and examine each replacement cost to determine the total. DFCM examines the agency's inventory of buildings and combine them to see the agency's portion of the share.

Analyst Amon continued on to Capital Improvements brief. Capital Improvements are considered alterations, repairs and improvements. These are one time costs where funds are not on-going.

The statutory required amount of funding for FY 2011 is \$90,881,700 at the 1.1% level and \$74,357,800 at the .09% level. FY 2008-2009 and 2009-2010 were exempted from those levels due to the economy.

Analyst Amon went over FY2010 "Capital Improvements Allocations" and "Capital Improvement Funding Allocation History" tables on page 2 of Capital Improvement brief.

Analyst Amon highlighted that agencies and institution requested \$182.3 million for FY 2011 but the Base Budget Bill only amounts to \$54.5 million coming up significantly short on page 3.

Under analyst recommendations; adopt the list of anticipated capital improvement projects and 5% reduction in state funds to capital improvements and debt service.

Next Mr. Baxter explained the process of where the money is allocated from capital improvements. Facilities Condition Assessment (FCA) is done by a third party along with institution knowledge determines a prioritized list of project that need attention. Project managers are sent into the field to assess the condition of the problem. Once these list are completed, it's sent to the agencies and institution to be reviewed. The legislative body grants an amount, a replacement value is figured among the agencies and the completed list of figures is sent to the Building Board for review.

Rep. Hunsaker inquired about the rate of deferred maintenance in the future. Mr. Baxter explained that each FY the shortfall increases because funding isn't being met at the 2% level. Refer to handout on side 2.

**MOTION:** Rep. Black moved to adjourn.

Motion passed unanimously.

The meeting was adjourned at 4:30 p.m. by Co-Chair Bramble.

The minutes were reported by Henry Liu.

Sen. Curtis Bramble \_\_\_\_\_ Rep. Stephen Clark \_\_\_\_\_